

July 2, 2024

**Statement by the Managing Director on the External Evaluation
of the Independent Evaluation Office (IEO)
Executive Board Meeting
July 15, 2024**

I welcome the 4th External Evaluation of the IEO and thank the panel for their thorough analysis and recommendations in their insightful report. The work of the IEO has been fundamental to strengthen the IMF's learning culture, to support its institutional governance and oversight, and to enhance its external credibility. Let me reiterate my commitment to continue the strong engagement and constructive relationship with the IEO.

As rightly underscored by the panel, over the past two decades, the IEO has built a solid reputation inside and outside the institution and has developed the capacity to deliver high-quality evaluations. I welcome the panel's finding that the IEO has established a high degree of credibility and is recognized for its rigor and independence. As such, the IEO makes a vital contribution to promoting learning and accountability, thus strengthening the IMF's external credibility.

From my perspective, the IEO has been instrumental in complementing the review and evaluation work within the Fund and in improving the Fund's ability to draw and integrate lessons from experience in its activities. Therefore, while I agree with the panel in that the IEO is uniquely positioned to support the Executive Board's institutional governance and oversight responsibilities, I consider its other two objectives—enhancing the learning within the institution and strengthening the IMF's external credibility—to be equally important, as stipulated in the existing IEO's Terms of Reference (ToR). One objective should not be over-emphasized relative to the others. As such, I consider it very important that the IEO continue maintaining a strict arms-length relationship with the Board. This is crucial to preserve the IEO's—actual and perceived— independence and credibility, particularly since the Executive Board conducts all surveillance and approves all Fund financing and non-financing arrangements for members.

The evaluation report contains various useful suggestions to further improve the IEO's relevance and effectiveness. Several of these are directed at the IEO but others pertain to the IMF itself and on these I would make the following comments.

Non-Interference Clause (Recommendation 1)

I believe the current formulation of the “non-interference” clause has served both the IEO and the IMF well and agree with the panel that the text provides an appropriate degree of flexibility. Some topics, such as any on-going IMF financing arrangement would be clearly in the “red zone” of risking interference, seriously complicating program implementation and undermining the Executive Board's authority. The issues take on added importance in a more shock-prone environment, where countries need more time to address imbalances to restore macroeconomic stability. Contrary to the intent of drawing lessons, evaluations in such circumstances would interfere with the ongoing efforts to address those imbalances and have unintended implications. Therefore, the costs could well exceed the benefits. Others, such as the recent Emergency Response Evaluation, could be more suitable for (relatively) early evaluations. Even in such cases,

however, there may be unforeseen, unintended, and undesirable impact on on-going activities. Moreover, much of the value of IEO evaluations comes from the IEO's ability to step back and undertake a retrospective analysis of what happened and why and distill the necessary lessons to be learned. If IEO evaluations are conducted too early, their effectiveness and usefulness may be undermined by the lack of a retrospective analysis and adequate data. Premature evaluations might compromise both management's and the Executive Board's ability to fulfill their mandates and conduct the Fund's day-to-day business.

IEO HR Policy (Recommendation 2)

The recommendation to review HR policies at the IEO are mostly for the IEO to consider unless they need to be approved by or decided in consultation with the Executive Board. Regardless, creating bespoke HR policies for the IEO separate to those of the Fund would conflict with the streamlining and harmonization of processes and policies that the Executive Board itself has requested and EAC has recommended. The Human Resources Department stands ready to assist the IEO in its workforce planning.

Topic Selection (Recommendation 3)

I welcome the finding that topics selected during the evaluation period have been appropriate and relevant and the panel's recognition of a more strategic focus of IEO evaluation topics relative to findings from past external evaluations. Management and staff maintain a very constructive dialogue with the IEO on topic selection, for instance, during the preparation of their annual paper on topics for future evaluations. In this context, I welcome the recommendation for Management to suggest topics to the IEO, while preserving their independence in the final decision of which ones to pursue.

IEO Product Line (Recommendation 4)

I support shorter evaluations when needed for the IEO to fulfill its mandate; however, I would be deeply concerned about a proliferation of these and an increase in their frequency. It could impact the IMF's absorptive capacity for lessons and needed reforms, which could in turn undermine the IEO's contribution to enhancing the institution's learning culture and strengthening its external credibility. More evaluations, with their associated Management Implementation Plans (MIP), would have substantial resource implications and I would be very concerned about the corresponding increase in workload for staff. Accordingly, I agree that prioritization could be enhanced, which could also be pursued through greater distinction between short and full-scale evaluations going forward. I also agree that ownership of IEO recommendations could be further strengthened through early and informal engagement between the IEO and Management and staff.

Interactions between the IEO, Staff and Management, and external stakeholders (Recommendation 5)

I agree with the panel that Management is accountable for implementing Board-endorsed recommendations. I also agree that the GPA may provide an opportunity to underscore the importance Management attaches to the timely implementation of IEO recommendations. A

Management BUFF on the Periodic Monitoring Report (PMR) could be considered although the PMR is already endorsed by Management when circulated to the Executive Board, and it discusses changing circumstances that explain implementation delays and the associated corrective measures.

I agree with the suggestion of having SMART actions in the MIP while keeping the IEO recommendations more general. This will allow the IEO to focus on the substance of the recommendation and staff on the specifics of their implementation. I fully agree that the IEO should be free to voice its views when the Evaluation Committee (EVC) or Executive Board discusses MIPs and the PMR, which should be done in a manner that continues to ensure the IEO's independence and its arm's length relationship with the Executive Board.

However, I see governance and practical concerns with the proposal to have the IEO participate and issue statements in Executive Board meetings on policy papers other than the MIP and PMR. Given heavy workloads and tight budget constraints, measures identified in MIPs are often slated to be implemented in the context of planned policy reviews. In an Executive Board discussion, it would be challenging to separate views about the issues stemming from the MIP and issues unrelated to IEO recommendations covered in the policy review. Rather than a discussion in the Executive Board, I would see more merit in using the Evaluation Committee, which is explicitly designed and mandated to advise the Board on matters relating to evaluations, including follow-up to Board-endorsed IEO recommendations. There are cases where a MIP discussed by the EVC devolves the identification of the measures to be implemented in response to Board-endorsed IEO recommendations to an upcoming policy review. In those cases, a pragmatic approach reconciling governance, efficiency, and transparency, would be for staff to work closely with the IEO to ensure that proposals in the policy review properly address the Board-Endorsed IEO recommendations. This approach could include the possibility (if necessary) of an additional EVC meeting to discuss those proposals, separately from the broader Executive Board discussion on the policy review. The PMR would provide a further opportunity to discuss whether the Board-endorsed IEO recommendations have been addressed satisfactorily. This alternative would also align with the Panel's more general recommendation for a more active engagement by the IEO with Management and staff, without affecting the independence of the IEO.

I would also have reservations about introducing an Interim Findings Report (IFR) for the EVC as it risks locking the IEO into findings and conclusions when it may be premature to do so. Moreover, precisely for this reason, the staff would need to review and comment on the IFR, adding further to the staff's very heavy workload, which the panel acknowledges is already significant.

Joint Evaluations with other IFI evaluators (Recommendation 6)

On joint evaluations by the IEO and other IFI evaluators, while there may be some common themes, there are also practical complications in reaching agreement on shared evaluation goals in the context of different institutional needs and mandates. This does not preclude simultaneous—or broadly simultaneous—evaluations, as was the case with the IEO and IEG evaluations of their respective institutions' responses to the COVID-19 pandemic.